

# House Study Bill 242 - Introduced

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL BY  
CHAIRPERSON KAUFMANN)

## A BILL FOR

1 An Act relating to the medical cannabidiol program including  
2 medical cannabidiol dispensaries and manufacturers, income  
3 tax deductions, and sales and use tax, and including  
4 retroactive applicability provisions.  
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

MEDICAL CANNABIDIOL PROGRAM

Section 1. Section 124E.2, subsection 10, Code 2023, is amended by striking the subsection and inserting in lieu thereof the following:

10. "*Medical cannabidiol*" means any species of the genus cannabis plant, or any mixture or preparation thereof, including whole plant extracts and resins, that is delivered in any of the following forms:

a. Oral forms, including but not limited to:

(1) Tablets.

(2) Capsules.

(3) Liquids.

(4) Tinctures.

(5) Sublingual forms.

b. Topical forms, including but not limited to:

(1) Gels.

(2) Ointments, creams, or lotions.

(3) Transdermal patches.

c. Inhaled forms, limited to:

(1) Nebulizable inhaled forms.

(2) Vaporizable dried raw cannabis.

(3) Other vaporizable forms of cannabis.

Sec. 2. Section 124E.8, subsection 1, paragraph a, Code 2023, is amended to read as follows:

a. The department shall ~~issue a request for proposals accept~~ applications to select and license ~~by April 1, 2018, up to~~ five ten medical cannabidiol dispensaries to dispense medical cannabidiol within this state consistent with the provisions of this chapter. The department shall license new medical cannabidiol dispensaries or relicense the existing medical cannabidiol dispensaries by December 1 of each year.

Sec. 3. Section 124E.8, subsection 2, Code 2023, is amended by striking the subsection.

Sec. 4. Section 124E.8, Code 2023, is amended by adding the

1 following new subsection:

2 NEW SUBSECTION. 3A. The department shall not issue a  
3 license for a medical cannabidiol dispensary to be located in a  
4 county with a medical cannabidiol dispensary that was licensed  
5 prior to January 1, 2023.

6 Sec. 5. Section 124E.9, subsection 1, Code 2023, is amended  
7 to read as follows:

8 1. ~~a. The medical cannabidiol dispensaries shall be located~~  
9 ~~based on geographical need throughout the state to improve~~  
10 ~~patient access.~~

11 ~~b.~~ A medical cannabidiol dispensary may dispense medical  
12 cannabidiol pursuant to the provisions of **this chapter** but  
13 shall not dispense any medical cannabidiol in a form or  
14 quantity other than the form or quantity allowed by the  
15 department pursuant to rule.

16 Sec. 6. MEDICAL CANNABIDIOL DISPENSARY LICENSES — CURRENT  
17 LICENSEES.

18 1. The department of health and human services shall accept  
19 applications for new medical cannabidiol dispensary licenses  
20 from current licensees between July 1, 2023, and October 1,  
21 2023.

22 2. Notwithstanding section 124E.8, subsection 3, in  
23 evaluating an application pursuant to this section, the  
24 department shall consider only the security, physical layout,  
25 and plan for technology at the proposed location.

26 3. A licensee submitting an application pursuant to  
27 this section may hold a maximum of four medical cannabidiol  
28 dispensary licenses, including the licensee's current license.

29 DIVISION II

30 MEDICAL CANNABIDIOL — INCOME TAXES

31 Sec. 7. Section 422.7, Code 2023, is amended by adding the  
32 following new subsection:

33 NEW SUBSECTION. 44. Subtract, to the extent included,  
34 the amount of business expense for a medical cannabidiol  
35 manufacturer or medical cannabidiol dispensary licensed

1 pursuant to chapter 124E without regard to section 280E of the  
2 Internal Revenue Code.

3 Sec. 8. Section 422.35, Code 2023, is amended by adding the  
4 following new subsection:

5 NEW SUBSECTION. 15. Subtract, to the extent included,  
6 the amount of business expense for a medical cannabidiol  
7 manufacturer or medical cannabidiol dispensary licensed  
8 pursuant to chapter 124E without regard to section 280E of the  
9 Internal Revenue Code.

10 Sec. 9. RETROACTIVE APPLICABILITY. This division of this  
11 Act applies retroactively to January 1, 2023, for tax years  
12 beginning on or after that date.

13 DIVISION III

14 MEDICAL CANNABIDIOL — SALES AND USE TAX

15 Sec. 10. Section 423.3, Code 2023, is amended by adding the  
16 following new subsection:

17 NEW SUBSECTION. 110. The sales price of the sale of  
18 a medical cannabidiol product by a medical cannabidiol  
19 manufacturer or a medical cannabidiol dispensary pursuant to  
20 chapter 124E.

21 EXPLANATION

22 The inclusion of this explanation does not constitute agreement with  
23 the explanation's substance by the members of the general assembly.

24 This bill relates to the medical cannabidiol program and is  
25 organized in divisions.

26 DIVISION I — MEDICAL CANNABIDIOL PROGRAM. The bill changes  
27 the definition of "medical cannabidiol" to include specific  
28 forms of oral, topical, and inhalable cannabis.

29 The bill increases the maximum number of medical cannabidiol  
30 dispensary licenses in the state from 5 to 10. The bill  
31 prohibits the department of health and human services from  
32 issuing a new medical cannabidiol dispensary license for a  
33 dispensary to be located in a county with a medical cannabidiol  
34 dispensary that was licensed prior to January 1, 2023. The  
35 bill strikes a provision requiring the department to locate

1 medical cannabidiol dispensaries based on geographical need  
2 throughout the state.

3     The bill requires the department of health and human  
4 services to accept applications for medical cannabidiol  
5 dispensary licenses from current licensees between July 1,  
6 2023, and October 1, 2023. In evaluating an application from  
7 a current licensee, the department shall consider only the  
8 security, physical layout, and plan for technology at the  
9 proposed location. A licensee may hold a maximum of four  
10 medical cannabidiol dispensary licenses.

11     The bill strikes a provision in current law requiring a  
12 medical cannabidiol dispensary to agree to begin supplying  
13 medical cannabidiol by December 1, 2018.

14     DIVISION II — MEDICAL CANNABIDIOL — INCOME TAXES. The  
15 bill allows individuals and corporations to subtract from net  
16 income, to the extent included, business expenses for a medical  
17 cannabidiol manufacturer or medical cannabidiol dispensary.  
18 This division of the bill applies retroactively to January 1,  
19 2023, for tax years beginning on or after that date.

20     DIVISION III — MEDICAL CANNABIDIOL — SALES AND USE TAX.  
21 The bill exempts sales of medical cannabidiol products by a  
22 medical cannabidiol manufacturer or a medical cannabidiol  
23 dispensary pursuant to Code chapter 124E from sales tax.